

## **CASS CITY PUBLIC SCHOOLS**

Cass City, Michigan

Report on Financial Statements  
(with required supplementary  
and additional information)

June 30, 2005

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*Kenneth J. Micklash*  
*Superintendent*

# Table of Contents

	<b>PAGE NUMBER</b>
<b>REPORT OF INDEPENDENT AUDITORS</b>	1 & 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	i - vii
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets	3
Statement of Activities	4
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	8
Statement of Fiduciary Net Assets	9
Statement of Changes in Fiduciary Net Assets	10
Notes to the Financial Statements	11 - 21
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - All Major Funds	22
<b>ADDITIONAL INFORMATION</b>	
<b>Nonmajor Governmental Fund Types</b>	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	24
<b>General Fund:</b>	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	25 & 26
Schedule of Revenues and Other Financing Sources Compared to Budget	27
Schedule of Expenditures and Other Financing Uses Compared to Budget	28 - 35
<b>Special Revenue Funds:</b>	
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	37
<b>Debt Service Fund:</b>	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	39
<b>Fiduciary Funds:</b>	
Private-purpose Trust and Agency Funds - Statement of Cash Receipts, Cash Disbursements and Liabilities	40
Schedule of Bonded Debt - 1996 Debt	41
Schedule of Bonded Debt - Durant Bonds	42

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
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Robert L. Tuckey, CPA  
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Jamie L. Peasley, CPA

August 19, 2005

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Cass City Public Schools  
Cass City, Michigan 48726

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cass City Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of the Cass City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Cass City Public Schools  
August 19, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass City Public Schools' basic financial statements. The additional information on pages 23 to 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# **Cass City Public School District**

## **Management's Discussion and Analysis**

**For Fiscal Year Ended June 30, 2005**

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Cass City School District, a K-12 school district located in Tuscola, Sanilac and Huron Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cass City School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2005 and June 30, 2004.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Cass City Public School District**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**Summary of Net Assets**

The following schedule summarizes the net assets at fiscal years ended:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Assets</b>		
Current assets	\$ 2,576,389	\$ 2,974,478
Capital assets	13,719,020	13,474,697
Less: Accumulated Depreciation	<u>(5,946,150)</u>	<u>(5,614,687)</u>
Capital Assets, net book value	<u>7,772,870</u>	<u>7,860,010</u>
Total assets	<u><u>\$ 10,349,259</u></u>	<u><u>\$ 10,834,488</u></u>
<b>Liabilities</b>		
Current liabilities	\$ 1,823,113	\$ 1,677,048
Long-term liabilities	<u>2,008,588</u>	<u>2,634,902</u>
Total liabilities	<u><u>\$ 3,831,701</u></u>	<u><u>\$ 4,311,950</u></u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 5,076,729	\$ 4,590,108
Restricted for debt service	300,099	265,038
Unrestricted	<u>1,140,730</u>	<u>1,667,392</u>
Total net assets	<u><u>6,517,558</u></u>	<u><u>6,522,538</u></u>
Total liabilities	<u><u>\$ 10,349,259</u></u>	<u><u>\$ 10,834,488</u></u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$4,980. A few of the more significant factors affecting net assets during the year are discussed below.

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. The depreciation expense for the fiscal years ended June 30, 2005 and June 30, 2004 was \$384,967 and \$395,712.

**Cass City Public School District**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2005**

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**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2005, \$297,827 of expenditures were capitalized and recorded as assets of the District and \$90,000 for the year ended June 30, 2004. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$87,140 for the fiscal year ended June 30, 2005.

**Results of Operations**

For the fiscal year ended June 30, 2005, and June 30, 2004, the results of operations, on a District-wide basis, were:

	<b>June 30, 2005</b>		<b>June 30, 2004</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>General Revenues</b>				
Property taxes	\$1,578,699	12.46%	\$1,530,294	12.10%
Investment earnings	15,024	0.12%	10,913	0.09%
State sources	9,948,995	78.52%	9,941,580	78.63%
Transfers from other districts	29,919	0.24%	42,301	0.33%
Sale of school property	1,490	0.01%	2,642	0.02%
Other	85,334	0.67%	116,580	0.92%
Total general revenues	11,659,461	92.02%	11,644,310	92.09%
<b>Program Revenues</b>				
Charges for services	319,845	2.52%	326,385	2.58%
Operating grants	691,582	5.46%	672,445	5.33%
Total revenues	12,670,888	100.00%	12,643,140	100.00%
<b>Expenses</b>				
Instruction	7,803,260	61.56%	7,359,556	60.37%
Support services	3,398,294	26.81%	3,352,720	27.50%
Community services	117,085	0.92%	123,144	1.01%
Food services	566,799	4.47%	524,335	4.30%
Athletics	243,789	1.92%	247,380	2.03%
Interest on long-term debt	161,674	1.28%	187,754	1.54%
Unallocated depreciation expense	384,967	3.04%	395,712	3.25%
	12,675,868	100.00%	12,190,601	100.00%
Increase (decrease) in net assets	<u>(\$4,980)</u>		<u>\$452,539</u>	

# Cass City Public School District

## Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

### Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

#### 1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2004-2005 fiscal year, the district levied \$749,703 non-homestead property taxes. This represented an increase of 6.04% from the prior year. The amount of unpaid property taxes at June 30, 2005, less an estimate for those deemed to be un-collectible, was \$17,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2004 – 2005	\$749,703	6.04%
2003 – 2004	\$707,005	8.87%
2002 – 2003	649,424	(8.96)
2001 – 2002	713,349	3.56
2000 – 2001	688,830	(2.39)

#### 2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2004 – 2005 fiscal year, the District's foundation allowance was \$6,700 per student FTE, which represented no increase over the amount received for the 2003 – 2004 fiscal year.

#### 3. Student Enrollment

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past five fiscal years:

	Actual Blended Student FTE	Budgeted Blended Student FTE	Variance Favorable (Unfavorable)
2004 – 2005	1,520	1,514	6
2003 – 2004	1,531	1,530	1
2002 – 2003	1,575	1,580	(5)
2001 – 2002	1,602	1,620	(18)
2000 – 2001	1,650	1,625	25



**Cass City Public School District**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2005, federal, state and other grants accounted for \$10,640,577. This represents a decrease of \$3,563 over the total grant sources received for the 2003 – 2004 fiscal year.

**5. County Special Education Allocation**

For the fiscal year ended June 30, 2005, the District received an allocation from the Tuscola Intermediate School District in the amount of \$25,584, to assist with the education of students with special needs.

**6. Interest Earnings**

The District received interest on its investments in the amount of \$15,024 for the fiscal year ended June 30, 2005. Interest revenues are up from the prior fiscal year by \$4,111.

**7. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

Expenditures	2004--2005 Fiscal Year	2003--2004 Fiscal Year	Increase (Decrease)
Instruction	\$7,734,480	\$7,272,124	\$462,356
Supporting Services	3,510,431	3,327,512	182,919
Food service activities	566,799	524,335	42,464
Athletic activities	243,789	247,380	(3,591)
Community service activities	117,085	123,144	(6,059)
Capital outlay	266,109	188,566	77,543
Debt service	<u>792,987</u>	<u>937,551</u>	<u>(144,564)</u>
Total Expenditures	<u>\$13,231,680</u>	<u>\$12,620,612</u>	<u>\$611,068</u>

# Cass City Public School District

## Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

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### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2004 – 2005 fiscal year, the district amended the general fund budget two times with the Board adopting the changes in June 2005. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (negative)	% Variance
Total revenues	\$11,122,759	\$11,276,026	\$11,252,718	\$(23,308)	(0.21)%
Expenditures:					
Instruction	\$7,429,197	\$7,715,442	\$7,876,882	\$(161,440)	(2.09)%
Supporting services	3,616,374	3,502,456	3,634,138	(131,682)	(3.76)%
Community services	<u>133,282</u>	<u>109,182</u>	<u>117,085</u>	<u>(7,903)</u>	<u>(7.24)%</u>
Total expenditures	<u>\$11,178,853</u>	<u>\$11,327,080</u>	<u>\$11,628,105</u>	<u>\$(301,025)</u>	<u>(2.66)%</u>
Other Financing sources (uses):					
Transfer to athletic fund	\$(193,129)	\$(185,000)	\$(203,698)	\$(18,698)	(10.11)%
Loan proceeds	0	0	72,878	72,878	100.0%

### Capital Asset and Debt Administration

#### Capital Assets

By the end of the 2004 – 2005 fiscal year, the district had invested \$13,719,020 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$244,323 over the prior fiscal year. Depreciated expense for the year amounted to \$384,967, bringing the accumulation to \$5,946,150 as of June 30, 2005.

#### Long-term Debt

At June 30, 2005, the District had \$2,555,000 in bonded debt outstanding. This represents a reduction of \$635,000 over the amount outstanding at the closed of the prior fiscal year as no new debt was issued in the 2004 – 2005 fiscal year.

# **Cass City Public School District**

## **Management's Discussion and Analysis**

**For Fiscal Year Ended June 30, 2005**

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### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2005 – 2006 fiscal year. The early indication is that the foundation allowance will be increased slightly which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has not managed to keep down the growth in the rate districts fund the retirement system over the past few years, and the increase in the number of retirees projected to occur over the next few years may also result in higher annual increases.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

### **Contracting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

Kenneth J. Micklash, Superintendent  
Cass City Public Schools  
4868 N. Seeger St.  
Cass City, MI 48726  
(989) 872-2200

## **BASIC FINANCIAL STATEMENTS**

**CASS CITY PUBLIC SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash		\$ 674,034
Due from other governmental units		1,797,296
Accounts Receivable		67,518
Property taxes receivable		17,000
Due from other funds		4,000
Prepaid expenses		16,541
<b>TOTAL CURRENT ASSETS</b>		<b>2,576,389</b>
<b>NONCURRENT ASSETS:</b>		
Capital assets		13,719,020
Less accumulated depreciation		(5,946,150)
<b>TOTAL NONCURRENT ASSETS</b>		<b>7,772,870</b>
<b>TOTAL ASSETS</b>		<b>\$ 10,349,259</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 8,217
Accrued salaries & wages		590,432
Accrued payroll taxes		70,293
Accrued interest		31,390
Benefits payable		215,651
Retirement payable		209,648
Deferred revenue		9,929
Current portion of long term debt		687,553
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,823,113</b>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long term debt		2,008,588
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		5,076,729
Restricted for debt service		300,099
Unrestricted		1,140,730
<b>TOTAL NET ASSETS</b>		<b>6,517,558</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 10,349,259</b>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 7,803,260	\$ 25,253	\$ 314,944	\$ (7,463,064)
Support services	3,398,294	10,823	134,976	(3,252,496)
Community services	117,085			(117,085)
Food services	566,799	224,286	241,662	(100,851)
Athletics	243,789	59,484		(184,305)
Interest on long-term debt	161,674			(161,674)
Unallocated depreciation	384,967			(384,967)
Total governmental activities	<u>\$ 12,675,868</u>	<u>\$ 319,845</u>	<u>\$ 691,582</u>	(11,664,441)
General revenues:				
Property taxes, levied for general purposes				749,703
Property taxes, levied for debt service				828,996
State of Michigan school aid unrestricted				9,948,995
Investment revenue				15,024
Transfer from other districts				29,919
Sale of school property				1,490
Miscellaneous				85,334
Total general revenue				<u>11,659,461</u>
Change in net assets				(4,980)
Net assets, beginning of year				<u>6,522,538</u>
Net assets, end of year				<u>\$ 6,517,558</u>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2005

	<b>GENERAL FUND</b>	<b>DEBT SERVICE</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 341,572	\$ 308,662	\$ 23,800	\$ 674,034
Due from other governmental units	1,797,296			1,797,296
Accounts receivable	44,691	22,827	-	67,518
Due from other funds	24,086			24,086
Prepaid expenses	16,541			16,541
<b>TOTAL ASSETS</b>	<b><u>\$ 2,224,186</u></b>	<b><u>\$ 331,489</u></b>	<b><u>\$ 23,800</u></b>	<b><u>\$ 2,579,475</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 8,217			\$ 8,217
Accrued salaries & wages	590,432			590,432
Due to other funds			\$ 20,086	20,086
Deferred revenue	9,929			9,929
Accrued payroll taxes	70,293			70,293
Benefits payable	215,651			215,651
Retirement payable	209,648			209,648
<b>TOTAL LIABILITIES</b>	<b><u>1,104,170</u></b>		<b><u>20,086</u></b>	<b><u>1,124,256</u></b>
<b>FUND BALANCE:</b>				
Unreserved	1,120,016		3,714	1,123,730
Reserved for debt service		331,489		331,489
<b>TOTAL FUND BALANCE</b>	<b><u>1,120,016</u></b>	<b><u>331,489</u></b>	<b><u>3,714</u></b>	<b><u>1,455,219</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,224,186</u></b>	<b><u>\$ 331,489</u></b>	<b><u>\$ 23,800</u></b>	<b><u>\$ 2,579,475</u></b>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2005

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,455,219</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	13,719,020
Accumulated depreciation is:	(5,946,150)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(2,696,141)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(31,390)

Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts, expected to be collected after September 1, 2005

17,000
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**Net Assets of Governmental Activities**

<b>\$ 6,517,558</b>
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**CASS CITY PUBLIC SCHOOLS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<b>GENERAL FUND</b>	<b>DEBT SERVICE</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>				
Local sources				
Property Tax	\$ 749,024	\$ 828,996	\$ -	\$ 1,578,020
Interest income	11,936	2,739	349	15,024
Food sales and athletic admissions			303,178	303,178
Other	102,001		-	102,001
State sources	9,908,428		40,567	9,948,995
Federal sources	449,920		241,662	691,582
Other transactions:				-
Transfers from other districts	29,919			29,919
<b>TOTAL REVENUES</b>	<b>11,251,228</b>	<b>831,735</b>	<b>585,756</b>	<b>12,668,719</b>
<b>EXPENDITURES:</b>				
Instruction	7,734,480			7,734,480
Supporting services	3,510,431			3,510,431
Community services	117,085			117,085
Food services			566,799	566,799
Athletics			243,789	243,789
Capital outlay	266,109			266,109
Debt service:				
Principal retirement	-	635,000		635,000
Interest	-	156,950		156,950
Other costs		1,037		1,037
<b>TOTAL EXPENDITURES</b>	<b>11,628,105</b>	<b>792,987</b>	<b>810,588</b>	<b>13,231,680</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(376,877)</b>	<b>38,748</b>	<b>(224,832)</b>	<b>(562,961)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer from General Fund			203,698	203,698
Transfer to Athletic Fund and Hot Lunch	(203,698)			(203,698)
Loan proceeds	72,878			72,878
Sale of school property	1,490			1,490
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(129,330)</b>	<b>-</b>	<b>203,698</b>	<b>74,368</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>(506,207)</b>	<b>38,748</b>	<b>(21,134)</b>	<b>(488,593)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,626,223</b>	<b>292,741</b>	<b>24,848</b>	<b>1,943,812</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,120,016</b>	<b>\$ 331,489</b>	<b>\$ 3,714</b>	<b>\$ 1,455,219</b>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2005

<b>Total net change in fund balances--governmental funds</b>	\$ (488,593)
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(384,967)
Capital outlay	297,827

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	27,703
Accrued interest payable at the end of the year	(31,390)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

646,639

Proceeds on long-term debt is a revenue in the governmental funds, but not in the statement of activities (it is an increase of liabilities)

(72,878)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(16,321)
Accrued revenue at the end of the year	17,000

<b>Change in net assets of governmental activities</b>	<b>\$ (4,980)</b>
--	-------------------

**CASS CITY PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2005

	<b>PRIVATE- PURPOSE TRUST</b>	<b>AGENCY FUNDS</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 62,599	\$ 93,538
Investments	20,231	
<b>TOTAL ASSETS</b>	<b>\$ 82,830</b>	<b>\$ 93,538</b>
<b>LIABILITIES</b>		
Due to student organizations		\$ 93,538
Due to general fund	\$ 4,000	
<b>TOTAL LIABILITIES</b>	<b>\$ 4,000</b>	<b>\$ 93,538</b>
<b>NET ASSETS</b>		
Reserved for scholarships	\$ 78,830	
<b>TOTAL NET ASSETS</b>	<b>\$ 78,830</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,830</b>	

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2005

	<b>PRIVATE- PURPOSE TRUST</b>
	<hr/>
<b>ADDITIONS</b>	
Fundraising activities	\$ 6,037
Interest earnings	856
	<hr/>
Total additions:	6,893
	<hr/>
<b>DEDUCTIONS</b>	
Scholarships awarded	7,000
	<hr/>
CHANGE IN NET ASSETS	(107)
	<hr/>
<b>NET ASSETS</b>	
Beginning of year	78,937
	<hr/>
End of year	\$ 78,830
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The School district was organized in 1856 and presently covers approximately 200 square miles covering all or parts of 13 Townships in Tuscola County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 1,520 students.

The basic financial statements of the Cass City Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The District is governed by the Cass City Board of Education, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statement #14 and #39, nor is the District a component unit of another entity.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

The statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds:**

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the servicing of general long-term debt.

The District reports the following **nonmajor** governmental fund:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The school service funds of the District are accounted for as special revenue funds and include the athletic and school lunch programs.

**Fiduciary Funds:**

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following **fiduciary** funds:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *Private-purpose Trust Fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method**

The government-wide financial statements (statements of net assets; statements of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The district considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the district and are recognized as revenue at that time.

**State Foundation Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October, 2004 - August, 2005. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

**State Categorical Revenue:**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. The District had no investments at June 30th.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<b>FUND</b>	<b>MILLS</b>
General Fund - Non Homestead	18.00
1996 Debt Service Fund	4.20



**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue fund consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences.

Each teacher shall be credited with six sick leave days at the beginning of each semester that can be accumulated to eighty-two days. All unused sick leave days in excess of seventy days shall be paid to the teacher at the end of the school year on the basis of 80% of the substitute teacher rate per day. Following this policy assures no accruals for compensated absences at year-end. If a teacher leaves the district, they forfeit their accumulated sick leave time.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Commission (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, are accrued, if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, Supplemental appropriations were made during the year with the last one approved prior to June 30.

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

As of June 30, 2005, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>(Years)</b>	<b>Rating</b>	<b>%</b>
MILAF External Investment pool -MICMS	20,231	0.0027	AAAm	100.0%
Total fair value	<u>\$ 20,231</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals 0.0027, one year equals 1.00				

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2005, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2005, the carrying amount of the District's deposits was \$830,171 and the bank balance was \$863,060. Of the bank balance, \$279,645 was covered by federal deposit insurance while the remaining bank balance of \$583,415 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 674,034
Fiduciary Funds	156,137
Investments - Fiduciary Funds	20,231
Investments - District wide	<u>-</u>
	<u><u>\$ 850,402</u></u>

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 12.99% through September 2004 and 14.87% for October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$1,006,506, \$901,521, and \$870,465, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

**OTHER POST-EMPLOYMENT BENEFITS:**

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

**NOTE 5 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$24,086	
Special Revenue Fund:		
Food Service		\$20,086
Permanent Fund-Maharg Scholarship	<u>          </u>	<u>4,000</u>
Total	\$24,086	\$24,086

**NOTE 7 - LONG-TERM DEBT:**

The following is a summary of the serial bonds of the school district for the year ended June 30, 2005:

	<u>SERIAL BONDS</u>
Balance payable - July 1, 2004	\$3,269,902
1996 Bonds paid	(635,000)
Skyward software loan proceeds	72,878
Skyward software loan payment	<u>(11,639)</u>
Balance payable June 30, 2005	\$2,696,141

As of June 30, 2005, the school district had the following outstanding bonds and notes payable:

1996 bond to erect a new middle school building; 4.90% to 5.00% interest	\$2,555,000
1998 Durant bonds; 4.76% interest	79,902
2004 Skyward software loan; 3.5% interest for 3 years	<u>61,239</u>
Total	\$2,696,141

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$687,553	\$140,554	\$828,107
2007	671,151	99,019	770,170
2008	659,162	65,894	725,056
2009	646,960	33,822	680,782
2010	7,291	1,491	8,782
2011	7,639	1,144	8,783
2012	8,002	780	8,782
2013	<u>8,383</u>	<u>399</u>	<u>8,782</u>
TOTAL	\$2,696,141	\$343,103	\$3,039,244

An amount of \$331,489 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2005 was \$161,674.

**CASS CITY PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 8 - OPERATING LEASES:**

The School District entered into various 3-year lease agreements with Compaq for the lease of new computers for Campbell elementary, the middle school, and the high school. Lease expense for June 30, 2005 amounted to \$101,830. At June 30, 2005, future lease payments under such leases are as follows:

June 30, 2006	\$42,707
June 30, 2007	7,417

**NOTE 9 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<b><u>BALANCE</u></b> <b><u>JULY 1, 2004</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>BALANCE</u></b> <b><u>JUNE 30, 2005</u></b>
Assets not being depreciated – land	\$ 134,775			\$134,775
Other capital assets:				
Land improvements	224,076			224,076
Building and additions	10,876,351			10,876,351
Machinery and equipment	1,344,069	\$244,241	\$41,075	1,547,235
Transportation equipment	<u>895,426</u>	<u>53,586</u>	<u>12,429</u>	<u>936,583</u>
Subtotal	13,339,922	297,827	\$53,504	13,584,245
Accumulated depreciation	<u>(5,614,687)</u>	<u>(384,967)</u>	<u>(53,504)</u>	<u>(5,946,150)</u>
Net Other capital assets:	<u>7,725,235</u>	<u>(87,140)</u>	<u>-</u>	<u>7,638,095</u>
Net capital assets	\$7,860,010	(\$87,140)	NONE	\$7,772,870

Depreciation for the fiscal year ended June 30, 2005 amounted to \$384,967. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 10 – TRANSFERS:**

During the current fiscal year the general fund transferred \$183,698 to the athletic fund and \$20,000 to the hot lunch fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CASS CITY PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2005**

	<b>BUDGET</b>			<b>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Local sources	\$ 821,252	\$ 961,027	\$ 862,961	\$ (98,066)
State source	9,849,455	9,779,118	9,908,428	129,310
Federal sources	407,579	444,089	449,920	5,831
Other transactions:				
Transfers from other districts	44,473	91,292	29,919	(61,373)
Sale of school property	-	500	1,490	990
<b>TOTAL REVENUES</b>	<b>11,122,759</b>	<b>11,276,026</b>	<b>11,252,718</b>	<b>(23,308)</b>
<b>EXPENDITURES:</b>				
Instruction	7,429,197	7,715,442	7,876,882	(161,440)
Supporting services	3,616,374	3,502,456	3,634,138	(131,682)
Community services	133,282	109,182	117,085	(7,903)
<b>TOTAL EXPENDITURES</b>	<b>11,178,853</b>	<b>11,327,080</b>	<b>11,628,105</b>	<b>(301,025)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(56,094)</b>	<b>(51,054)</b>	<b>(375,387)</b>	<b>(324,333)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	-	-	72,878	72,878
Transfer to Athletic fund & Hot Lunch	(193,129)	(185,000)	(203,698)	(18,698)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(193,129)</b>	<b>(185,000)</b>	<b>(130,820)</b>	<b>54,180</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>(249,223)</b>	<b>(236,054)</b>	<b>(506,207)</b>	<b>(270,153)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,626,223</b>	<b>1,626,223</b>	<b>1,626,223</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,377,000</b>	<b>\$ 1,390,169</b>	<b>\$ 1,120,016</b>	<b>\$ (270,153)</b>

The accompanying notes are an integral part of the financial statements.

## **ADDITIONAL INFORMATION**

**CASS CITY PUBLIC SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash	\$ 23,800	\$ 23,800
Accounts receivable	-	-
<b><u>TOTAL ASSETS</u></b>	<u>\$ 23,800</u>	<u>\$ 23,800</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
LIABILITIES:		
Due to other funds	\$ 20,086	\$ 20,086
 FUND BALANCE:		
Unreserved	3,714	3,714
 TOTAL FUND BALANCE	3,714	3,714
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<u>\$ 23,800</u>	<u>\$ 23,800</u>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2005**

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2005</u>
REVENUES:		
Local sources		
Property Tax		\$ -
Interest Income	\$ 349	349
Food sales and athletic admissions	303,178	303,178
Other		-
State sources	40,567	40,567
Federal sources	241,662	241,662
TOTAL REVENUES	<u>585,756</u>	<u>585,756</u>
EXPENDITURES:		
Food services	566,799	566,799
Athletics	243,789	243,789
TOTAL EXPENDITURES	<u>810,588</u>	<u>810,588</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(224,832)</u>	<u>(224,832)</u>
OTHER FINANCING SOURCES (USES):		
Transfer from General Fund	203,698	203,698
TOTAL OTHER FINANCING SOURCES (USES)	203,698	203,698
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(21,134)</u>	<u>(21,134)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>24,848</u>	<u>24,848</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,714</u>	<u>\$ 3,714</u>

The accompanying notes are an integral part of the financial statements.

**CASS CITY PUBLIC SCHOOLS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) -**  
**GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Local sources	\$ 961,027	\$ 862,961	\$ (98,066)	\$ 356,882	\$ 303,527	\$ (53,355)
State source	9,779,118	9,908,428	129,310	41,000	40,567	(433)
Federal sources	444,089	449,920	5,831	233,158	241,662	8,504
Other transactions:						
Transfers from other districts	91,292	29,919	(61,373)			
Sale of school property	500	1,490	990			
<b>TOTAL REVENUES</b>	<b>11,276,026</b>	<b>11,252,718</b>	<b>(23,308)</b>	<b>631,040</b>	<b>585,756</b>	<b>(45,284)</b>
EXPENDITURES:						
Instruction	7,715,442	7,876,882	(161,440)			
Supporting services	3,502,456	3,634,138	(131,682)			
Community services	109,182	117,085	(7,903)			
School activities				816,040	810,588	5,452
Debt services:						
Principal retirement						
Interest						
Other						
<b>TOTAL EXPENDITURES</b>	<b>11,327,080</b>	<b>11,628,105</b>	<b>(301,025)</b>	<b>816,040</b>	<b>810,588</b>	<b>5,452</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(51,054)	(375,387)	(324,333)	(185,000)	(224,832)	(39,832)
OTHER FINANCING SOURCES (USES):						
Transfer from General fund				185,000	203,698	18,698
Loan proceeds	-	72,878	72,878			
Transfer to Athletic fund & Hot Lunch	(185,000)	(203,698)	18,698			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(185,000)</b>	<b>(130,820)</b>	<b>91,576</b>	<b>185,000</b>	<b>203,698</b>	<b>18,698</b>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(236,054)	(506,207)	(270,153)	0	(21,134)	(21,134)
FUND BALANCE - BEGINNING OF YEAR	1,626,223	1,626,223		24,848	24,848	
FUND BALANCE - END OF YEAR	\$ 1,390,169	\$ 1,120,016	\$ (270,153)	\$ 24,848	\$ 3,714	\$ (21,134)

The accompanying notes are an integral part of the financial statements.

DEBT SERVICE FUND			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 810,707	\$ 831,735	\$ 21,028	\$ 2,128,616	\$ 1,998,223	\$ (130,393)
-	-	-	9,820,118	9,948,995	128,877
			677,247	691,582	14,335
			91,292	29,919	(61,373)
			500	1,490	990
810,707	831,735	21,028	12,717,773	12,670,209	(47,564)
			7,715,442	7,876,882	(161,440)
			3,502,456	3,634,138	(131,682)
			109,182	117,085	(7,903)
			816,040	810,588	5,452
713,475	635,000	78,475	713,475	635,000	78,475
78,475	156,950	(78,475)	78,475	156,950	(78,475)
300	1,037	(737)	300	1,037	(737)
792,250	792,987	(737)	12,935,370	13,231,680	(296,310)
18,457	38,748	20,291	(217,597)	(561,471)	(343,874)
			185,000	203,698	18,698
			-	72,878	72,878
			(185,000)	(203,698)	18,698
			-	72,878	110,274
18,457	38,748	20,291	(217,597)	(488,593)	(270,996)
292,741	292,741		1,943,812	1,943,812	
\$ 311,198	\$ 331,489	\$ 20,291	\$ 1,726,215	\$ 1,455,219	\$ (270,996)

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax	\$ 749,797	\$ 749,024	\$ (773)
Interest income	9,000	11,936	2,936
Tuition and fees	44,300	28,740	(15,560)
Rental of building	6,000	7,335	1,335
Other	151,930	65,926	(86,004)
TOTAL REVENUE FROM LOCAL SOURCES	<u>961,027</u>	<u>862,961</u>	<u>(98,066)</u>
REVENUE FROM STATE SOURCES:			
State aid	9,766,611	9,880,790	114,179
Drivers education	-	-	-
Career preparation	-	131	131
Lap Grant	-	-	-
Durant funds	12,507	12,507	-
Other	-	15,000	15,000
TOTAL REVENUE FROM STATE SOURCES	<u>9,779,118</u>	<u>9,908,428</u>	<u>129,310</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	310,287	319,778	9,491
Title VI	-	-	-
Class Size Reduction Program	117,742	108,048	(9,694)
Computer Clubhouse	3,260	3,261	1
Handicapped Preschool	-	-	-
Tech Literacy	-	-	-
Other	12,800	18,833	6,033
TOTAL REVENUE FROM FEDERAL SOURCES	<u>444,089</u>	<u>449,920</u>	<u>5,831</u>
OTHER FINANCING SOURCES:			
Transfers from Other Districts	91,292	29,919	(61,373)
Loan proceeds	-	72,878	72,878
Sale of School Property	500	1,490	990
TOTAL REVENUES	<u>\$ 11,276,026</u>	<u>\$ 11,325,596</u>	<u>\$ 49,570</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary:			
Salaries - teachers	\$ 1,332,702	\$ 1,327,195	\$ 5,507
Salaries - Gesell & Homebound teacher	800	146	654
Salaries - substitute teachers	10,000	21,409	(11,409)
Salaries - aides	61,000	56,311	4,689
Travel	500	215	285
Teaching supplies & textbooks	82,650	82,491	159
Employee benefits	604,393	610,985	(6,592)
Capital outlay	3,960	3,958	2
Other expenses	1,000	132	868
Total Elementary	<u>2,097,005</u>	<u>2,102,842</u>	<u>(5,837)</u>
Middle/Junior High:			
Salaries - teachers	1,328,092	1,330,772	(2,680)
Salaries - substitute teachers	10,000	14,591	(4,591)
Salaries - aides	12,000	6,159	5,841
Salaries - Homebound teachers	500	-	500
Teaching supplies & textbooks	55,225	55,255	(30)
Employee benefits	602,245	623,312	(21,067)
Capital outlay	18,430	18,429	1
Travel	-	94	(94)
Other expenses	1,000	168	832
Total Middle/Junior High	<u>2,027,492</u>	<u>2,048,780</u>	<u>(21,288)</u>
High School:			
Salaries - teachers	1,175,997	1,187,060	(11,063)
Salaries - substitute teachers	10,000	12,359	(2,359)
Salaries - Homebound teachers	800	170	630
Salaries - drivers education	26,385	15,155	11,230
Teaching supplies & textbooks	109,290	107,036	2,254
Travel	27,800	28,231	(431)
Drivers education supplies	2,100	1,164	936
Employee benefits	527,625	543,651	(16,026)
Capital outlay	83,400	100,852	(17,452)
Purchased services	1,200	946	254
Other expenses	1,700	1,792	(92)
Total High School	<u>1,966,297</u>	<u>1,998,416</u>	<u>(32,119)</u>



**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs:			
Special Education:			
Salaries - teachers	\$ 486,055	\$ 498,355	\$ (12,300)
Salaries - teachers aides	42,771	59,030	(16,259)
Salaries - homebound teachers	-	-	-
Salaries - Bus Drivers	-	193	(193)
Salaries - substitute teachers	-	8,499	(8,499)
Teaching supplies & textbooks	12,900	15,141	(2,241)
Travel	-	12	(12)
Other expenses	500	350	150
Employee benefits	221,662	230,204	(8,542)
Total Special Education	<u>763,888</u>	<u>811,784</u>	<u>(47,896)</u>
Compensatory Education:			
Salaries - directors	15,000	15,000	-
Salaries - teachers	99,093	109,636	(10,543)
Salaries - teachers aides	99,065	74,108	24,957
Salaries - substitute teachers	-	-	-
Salaries - clerical	1,500	1,500	-
Teaching supplies	11,788	24,998	(13,210)
Audit	800	800	-
Capital outlay	-	-	-
Travel, workshop & conferences	9,600	9,129	471
Employee benefits	77,249	88,417	(11,168)
Total Compensatory Education	<u>314,095</u>	<u>323,588</u>	<u>(9,493)</u>
Title II:			
Salaries	43,002	41,690	1,312
Employee benefits	22,240	18,822	3,418
Purchased Service	50,000	47,472	2,528
Teaching Supplies	9,822	7,386	2,436
Capital Outlay	-	-	-
Total Title II	<u>125,064</u>	<u>115,370</u>	<u>9,694</u>
Career Preparation Grant	<u>-</u>	<u>-</u>	<u>-</u>
Drug Free schools	<u>1,500</u>	<u>2,748</u>	<u>(1,248)</u>
Handicapped Pre-School	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Technology Literacy	<u>-</u>	<u>-</u>	<u>-</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Vocational Education:			
Salaries - directors	\$ 34,855	\$ 34,855	\$ -
Salaries - teachers	30,692	39,021	(8,329)
Salaries - substitute teachers	500	163	337
Teaching supplies	1,600	3,194	(1,594)
Employee benefits	36,250	17,560	18,690
Travel	200	429	(229)
Capital outlay	-	-	-
Total Vocational Education	<u>104,097</u>	<u>95,222</u>	<u>8,875</u>
At-Risk:			
Salaries - teachers	134,478	188,448	(53,970)
Employee benefits	65,630	54,999	10,631
Purchased service	2,800	2,489	311
Capital Outlay	15,099	19,163	(4,064)
Teaching supplies	3,500	599	2,901
Miscellaneous	-	-	-
Total At-Risk	<u>221,507</u>	<u>265,698</u>	<u>(44,191)</u>
ACE			
Salaries	56,843	71,245	(14,402)
Benefits	23,154	24,003	(849)
Supplies	2,500	-	2,500
Miscellaneous	2,000	-	2,000
Total ACE	<u>84,497</u>	<u>95,248</u>	<u>(10,751)</u>
Improvement of Instruction:			
Salaries	-	2,254	(2,254)
Professional development	-	-	-
Gifted and talented	-	-	-
Retirement	-	-	-
Benefits	-	-	-
Purchased services	4,000	14,932	(10,932)
Supplies	-	-	-
Capital Outlay	-	-	-
Grants	-	-	-
Other	-	-	-
Total Improvement of Instruction	<u>4,000</u>	<u>17,186</u>	<u>(13,186)</u>
TOTAL INSTRUCTION	<u>7,715,442</u>	<u>7,876,882</u>	<u>(161,440)</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES:</b>			
Pupil Services:			
Guidance Services:			
Salaries - counselors	\$ 132,836	\$ 137,757	\$ (4,921)
Salaries-clerical	19,000	20,256	(1,256)
Supplies & other costs	4,500	5,513	(1,013)
Travel	500	897	(397)
Employee benefits	65,045	61,890	3,155
Capital outlay	500	-	500
Total Guidance Services	<u>222,381</u>	<u>226,313</u>	<u>(3,932)</u>
Health Services:			
Salary - nurse	31,086	30,979	107
Employee benefits	8,751	7,128	1,623
Local travel	200	-	200
Supplies & other cost	800	696	104
Capital outlay	-	-	-
Total Health Services	<u>40,837</u>	<u>38,803</u>	<u>2,034</u>
Social Worker:			
Salaries	36,972	38,063	(1,091)
Travel	400	247	153
Supplies & other cost	600	46	554
Employee benefits	22,537	22,303	234
Total Social Worker	<u>60,509</u>	<u>60,659</u>	<u>(150)</u>
Crossing Guards:			
Salaries	12,000	11,043	957
Employee benefits	3,202	2,470	732
Supplies	100	-	100
Total Crossing Guards	<u>15,302</u>	<u>13,513</u>	<u>1,789</u>
Lap Grant:			
Salaries - teachers	-	-	-
Salaries - substitutes	-	-	-
Salaries - aides	-	-	-
Travel	-	-	-
Supplies & other cost	-	-	-
Employee benefits	-	1,082	(1,082)
Total Lap Grant	<u>-</u>	<u>1,082</u>	<u>(1,082)</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Library and A-V:			
Salaries - librarians	\$ 178,860	\$ 178,407	\$ 453
Salaries - aides	30,000	26,541	3,459
Library books	13,100	12,870	230
Periodicals	4,561	2,430	2,131
Miscellaneous supplies	9,870	9,710	160
Capital outlay	500	199	301
Employee benefits	85,484	82,991	2,493
Total Library and A-V	<u>322,375</u>	<u>313,148</u>	<u>9,227</u>
Computer Technology			
Salaries - teachers	52,247	52,247	-
Salaries - aides	5,220	10,367	(5,147)
Salaries - custodial	-	-	-
Supplies & other costs	48,900	48,395	505
Contract services	-	-	-
Employee benefits	25,967	27,359	(1,392)
Lease payments	107,680	101,830	5,850
Capital outlay	31,127	62,322	(31,195)
Total Computer Technology	<u>271,141</u>	<u>302,520</u>	<u>(31,379)</u>
General Administration:			
Board of Education:			
Salaries	540	500	40
Travel	5,000	4,844	156
Supplies & other cost	1,000	795	205
Other expenses	5,000	6,039	(1,039)
Total Board of Education	<u>11,540</u>	<u>12,178</u>	<u>(638)</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Executive Administration:			
Salaries - superintendent	\$ 102,446	\$ 103,598	\$ (1,152)
Salaries - clerical	-	-	-
Personnel services	69,550	99,097	(29,547)
Audit and legal services	9,000	10,152	(1,152)
Elections	1,500	3,160	(1,660)
Travel, conference & workshops	2,500	2,053	447
Telephone	1,600	1,146	454
Advertising	1,000	1,200	(200)
Printing & publishing	2,000	694	1,306
Office Supplies	3,500	4,399	(899)
Supplies & other cost	2,000	3,088	(1,088)
Employee benefits	52,172	48,795	3,377
Capital outlay	-	-	-
Total Executive Administration	<u>247,268</u>	<u>277,382</u>	<u>(30,114)</u>
School Administration:			
Salaries - principals	325,423	358,417	(32,994)
Salaries - clerical	103,115	120,435	(17,320)
Employee benefits	247,816	221,987	25,829
Travel, conferences & workshop	600	(73)	673
Telephone	14,750	13,665	1,085
Supplies & other costs	10,000	16,095	(6,095)
Agri-valley connection	130	2,350	(2,220)
Capital outlay	-	356	(356)
Other expenses	6,000	3,694	2,306
Total School Administration	<u>707,834</u>	<u>736,926</u>	<u>(29,092)</u>
Business Administration:			
Fiscal Services:			
Contracted services - data processing	15,800	11,789	4,011
Interest on debt	-	-	-
Total Fiscal Services	<u>15,800</u>	<u>11,789</u>	<u>4,011</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Operations & Maintenance of Plant:			
Salaries - supervisors	\$ 116,237	\$ 107,636	\$ 8,601
Salaries - custodians	214,958	214,365	593
Salaries - temporary help	40,300	38,343	1,957
Heating fuel	86,500	125,889	(39,389)
Electricity	121,000	129,559	(8,559)
Water & sewage	17,500	18,742	(1,242)
Trash disposal	7,500	5,294	2,206
Contracted services	80,060	86,412	(6,352)
Rental equipment	20,800	22,201	(1,401)
Supplies & other costs	77,100	82,667	(5,567)
Other expenses	-	2,818	(2,818)
Principal on Campbell Bond	-	-	-
Interest on Campbell Bond	-	-	-
Capital outlay	5,370	6,482	(1,112)
Employee benefits	222,490	227,196	(4,706)
Total Operations & Maintenance of Plant	<u>1,009,815</u>	<u>1,067,604</u>	<u>(57,789)</u>
Pupil Transportation:			
Salaries - supervisor	25,180	25,992	(812)
Salaries - clerical	12,200	10	12,190
Salaries - drivers	171,600	186,066	(14,466)
Salary - bus mechanic	32,927	33,749	(822)
Insurance	11,500	12,473	(973)
Gas, oil & grease	67,425	69,487	(2,062)
Tires, tubes & batteries	5,000	4,484	516
Travel	-	110	(110)
Vehicle repairs	40,000	49,617	(9,617)
Building repairs	1,600	926	674
Miscellaneous expense	6,000	6,753	(753)
Capital outlay - vehicles	54,086	54,704	(618)
Employee benefits	92,153	69,506	22,647
Other expenses	1,700	1,071	629
Total Pupil Transportation	<u>521,371</u>	<u>514,948</u>	<u>6,423</u>
Fixed Charges:			
Building insurance	38,000	37,947	53
Student liability insurance	2,638	2,638	-
Employee benefits	2,750	348	2,402
Tax abatement	-	1,630	(1,630)
Interest expense	12,895	14,710	(1,815)
Total Fixed Charges	<u>56,283</u>	<u>57,273</u>	<u>(990)</u>
TOTAL SUPPORTING SERVICES	<u>3,502,456</u>	<u>3,634,138</u>	<u>(131,682)</u>

**CASS CITY PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING USES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Community Education:			
Salaries	\$ 11,820	\$ 11,633	\$ 187
Employee benefits	10,762	10,762	-
Purchased service	3,200	3,358	(158)
Teaching supplies & textbooks	500	500	-
Other expenses	400	108	292
Total Community Education	<u>26,682</u>	<u>26,361</u>	<u>321</u>
Early Childhood Program:			
Administrative support	3,910	3,910	-
Salaries - teachers	33,252	32,464	788
Salaries - bus drivers	-	322	(322)
Salaries - aides	12,054	12,235	(181)
Salaries - clerical	-	-	-
Travel & conference	8,859	9,632	(773)
Supplies & other costs	4,000	4,196	(196)
Employee benefits	20,425	20,541	(116)
Other expenses	-	7,424	(7,424)
Total Early Childhood Program	<u>82,500</u>	<u>90,724</u>	<u>(8,224)</u>
TOTAL COMMUNITY SERVICES	<u>109,182</u>	<u>117,085</u>	<u>(7,903)</u>
TOTAL EXPENDITURES	11,327,080	11,628,105	(301,025)
OTHER FINANCING USES:			
Operating transfer - Athletic Fund & Hot Lunch	185,000	203,698	(18,698)
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>\$ 11,512,080</u>	<u>\$ 11,831,803</u>	<u>\$ (319,723)</u>

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<b><u>ASSETS</u></b>			
Cash in bank	\$ 23,297	\$ 503	\$ 23,800
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 23,297</u></b>	<b><u>\$ 503</u></b>	<b><u>\$ 23,800</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
Due to other funds	<u>\$ 20,086</u>	<u>-</u>	<u>\$ 20,086</u>
TOTAL LIABILITIES	20,086	-	20,086
FUND BALANCE	<u>3,211</u>	<u>\$ 503</u>	<u>3,714</u>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 23,297</u></b>	<b><u>\$ 503</u></b>	<b><u>\$ 23,800</u></b>

See the accompanying notes.



**CASS CITY PUBLIC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 224,286		\$ 224,286	\$ 248,907	\$ (24,621)
Admissions		\$ 59,484	59,484	72,500	(13,016)
Interest	334	15	349	600	(251)
Sale of supplies			-	2,500	(2,500)
Other	19,406	2	19,408	32,375	(12,967)
Total Local Sources	244,026	59,501	303,527	356,882	(53,355)
State Sources:					
State Lunch Aid	40,567		40,567	41,000	(433)
Other	-		-	-	-
Total State Sources	40,567	-	40,567	41,000	(433)
Federal Sources:					
National School Lunch Program	208,702		208,702	197,000	11,702
USDA Commodities	32,960		32,960	36,158	(3,198)
Total Federal Sources	241,662	-	241,662	233,158	8,504
TOTAL REVENUE	526,255	59,501	585,756	631,040	(45,284)
EXPENDITURES:					
School Service Activities:					
Salaries & wages	168,447	152,693	321,140	327,243	6,103
Employee benefits	63,144	25,459	88,603	87,135	(1,468)
Food & milk	271,977		271,977	270,716	(1,261)
Supplies & Other Costs	44,779	55,155	99,934	94,946	(4,988)
Capital Outlay	18,452	10,482	28,934	36,000	7,066
TOTAL EXPENDITURES	566,799	243,789	810,588	816,040	5,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,544)	(184,288)	(224,832)	(185,000)	(39,832)
OTHER FINANCING SOURCES:					
Transfers from General Fund	20,000	183,698	203,698	185,000	18,698
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	(20,544)	(590)	(21,134)	\$ -	\$ (21,134)
FUND BALANCE - JULY 1	23,755	1,093	24,848		
FUND BALANCE - JUNE 30	\$ 3,211	\$ 503	\$ 3,714		

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2005

	<b>1996 DEBT SERVICE</b>	<b>DURANT DEBT SERVICE</b>	<b>TOTAL DEBT SERVICE</b>
<b><u>ASSETS</u></b>			
Cash in bank	\$ 308,662	\$ -	\$ 308,662
Accounts receivable	22,827	-	22,827
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 331,489</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 331,489</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
Reserved for debt service	\$ 331,489	\$ -	\$ 331,489
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 331,489</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 331,489</u></b>

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>1996 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:			
Local Sources:			
Current tax levy	\$ 828,996		\$ 828,996
Interest on investments	<u>2,739</u>		<u>2,739</u>
Total Local Sources	831,735		\$ 831,735
State Sources		<u>-</u>	<u>0</u>
TOTAL REVENUES	<u>831,735</u>	<u>-</u>	<u>831,735</u>
EXPENDITURES:			
Bond principal	635,000		635,000
Bond interest	156,950		156,950
Other bond costs	<u>1,037</u>	<u>-</u>	<u>1,037</u>
TOTAL EXPENDITURES	<u>792,987</u>	<u>-</u>	<u>792,987</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	38,748		38,748
FUND BALANCE - JULY 1	<u>292,741</u>	<u>-</u>	<u>292,741</u>
FUND BALANCE - JUNE 30	<u><u>\$ 331,489</u></u>	<u><u>-</u></u>	<u><u>\$ 331,489</u></u>

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**PRIVATE-PURPOSE TRUST AND AGENCY FUNDS**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE JUNE 30, 2004</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2005</u>
<b>AGENCY FUNDS</b>				
ELEMENTARY SCHOOLS:				
Campbell	\$ 21,252	\$ 42,812	\$ 46,976	\$ 17,088
<b>TOTAL ELEMENTARY SCHOOLS</b>	<u>21,252</u>	<u>42,812</u>	<u>46,976</u>	<u>17,088</u>
HIGH SCHOOL & MIDDLE SCHOOL:				
High School	40,446	170,269	176,038	34,677
Middle School	41,974	140,275	140,476	41,773
<b>TOTAL HIGH SCHOOL &amp; MIDDLE SCHOOL</b>	<u>82,420</u>	<u>310,544</u>	<u>316,514</u>	<u>76,450</u>
<b>TOTAL AGENCY FUNDS</b>	<u>103,672</u>	<u>353,356</u>	<u>363,490</u>	<u>93,538</u>
 <b>PRIVATE-PURPOSE TRUST FUND</b>				
Ben Hobart Scholarship fund	3,418	62	500	2,980
Zinnecker Scholarship	5,561	13	1,000	4,574
Kally Maharg Scholarship	12,413	6,339	5,500	13,252
McEachern Scholarship	57,545	479		58,024
<b>TOTAL PRIVATE-PURPOSE TRUST FUND</b>	<u>78,937</u>	<u>6,893</u>	<u>7,000</u>	<u>78,830</u>
<b>TOTAL PRIVATE-PURPOSE TRUST AND AGENCY FUNDS</b>	<u>\$ 182,609</u>	<u>\$ 360,249</u>	<u>\$ 370,490</u>	<u>\$ 172,368</u>
 <b>GENERAL FUND:</b>				
Office accounts	\$ 13,207	\$ 21,693	\$ 17,517	\$ 17,383

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**1996 DEBT RETIREMENT FUND**  
June 30, 2005

Purpose of Issue: Erecting, furnishing and equipping a new middle school building.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2005			\$ 62,918	\$ 62,918
5/1/2006	\$ 635,000	4.90	62,918	697,918
11/1/2006			47,360	47,360
5/1/2007	640,000	4.90	47,360	687,360
11/1/2007			31,680	31,680
5/1/2008	640,000	4.90	31,680	671,680
11/1/2008			16,000	16,000
5/1/2009	640,000	5.00	16,000	656,000
TOTAL	<u>\$ 2,555,000</u>		<u>\$ 315,916</u>	<u>\$ 2,870,916</u>

The bonds are not subject to optional redemption prior to maturity.

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT - DURANT BONDS**  
June 30, 2005

\$125,068 Durant Bond issued November 24, 1998:

<b>PRINCIPAL DUE MAY 15</b>	<b>INTEREST DUE MAY 15</b>	<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 28,642	\$ 12,804	2006	\$ 41,446
6,341	2,441	2007	8,782
6,644	2,139	2008	8,783
6,960	1,822	2009	8,782
7,291	1,491	2010	8,782
7,639	1,144	2011	8,783
8,002	780	2012	8,782
8,383	399	2013	8,782
<u>\$ 79,902</u>	<u>\$ 23,020</u>		<u>\$ 102,922</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**CASS CITY PUBLIC SCHOOL DISTRICT**

**ADDITIONAL REPORTS REQUIRED  
BY OMB CIRCULAR A-133**

**YEAR ENDED JUNE 30, 2005**

## CONTENTS

	<u>Page Number</u>
<i>Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards</i>	1
<i>Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.</i>	2 & 3
<i>Schedule of Expenditures Of Federal Awards</i>	4 & 5
<i>Notes to Schedule of Expenditures of Federal Awards</i>	6
<i>Schedule of Findings and Questioned Costs</i>	7
<i>Schedule of Prior Audit Findings</i>	8





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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 19, 2005

To the Board of Education  
Cass City Public Schools  
Cass City, MI 48726

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools as of and for the year ended June 30, 2005, which collectively comprise Cass City Public Schools basic financial statements of the District's primary government and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Cass City Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Cass City Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 19, 2005

To the Board of Education  
Cass City Public Schools  
Cass City, MI 48726

**COMPLIANCE**

We have audited the compliance of Cass City Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Cass City Public Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cass City Public Schools' management. Our responsibility is to express an opinion on Cass City Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass City Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cass City Public Schools' compliance with those requirements.

In our opinion, Cass City Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of Cass City Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cass City Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

To the Board of Education  
August 19, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cass City Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

**CASS CITY PUBLIC SCHOOLS, CASS CITY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2005
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
ECIA Title I	84.010	041530 0304	\$ 288,112	\$ (9,726)	\$ 235,169	\$ 43,217	\$ 9,726	\$ -
ECIA Title I, Carryover	84.010	041530 0405	43,217			43,217	43,217	(235)
ECIA Title I	84.010	051530 0405	267,070			267,070	266,835	-
Title II A	84.367	040520 0405	52,954			52,954	52,954	-
Title II A	84.367	050520 0405	64,788			64,788	55,094	(9,694)
Title V - Part A	84.298	050250 0405	3,808			3,808	3,808	-
Technology Literacy Challenge Grant	84.318	054290 0405	7,322			7,322	7,322	-
21st Century Community Learning Centers:								-
Michigan Middle School Community								-
Computer Clubhouses 2003-2004	84.287A	5287A001168	22,440	3,261	22,440	3,261		-
TOTAL U.S. DEPARTMENT OF EDUCATION								
			749,711	(6,465)	257,609	442,420	438,956	(9,929)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
Passed through Michigan Dept. of Education:								
School Health Program	93.938	042770/SHI0305	500			500	500	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
			500			500	500	
TRANSFERS FROM OTHER SCHOOL DISTRICTS:								
Tuscola Intermediate School District:								
Drug-free Grant	84.186	052860/0405	4,502			4,502	4,502	
Tech Prep	84.243A	5014.11	2,701			2,701	2,701	
TOTAL TRANSFERS FROM OTHER SCHOOL DISTRICTS								
			7,203			7,203	7,203	

**CASS CITY PUBLIC SCHOOLS, CASS CITY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2005
U.S. DEPARTMENT OF AGRICULTURE:  Passed through Michigan Dept. of Education:  National School Lunch Program Food Distribution Entitlement Bonus Commodities National School Lunch & Breakfast Program	10.555		\$ 167,230			\$ 167,230	\$ 167,230	
	10.550		28,770			28,770	28,770	
	10.550		4,190			4,190	4,190	
	10.553		41,472			41,472	41,472	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			241,662	-		241,662	241,662	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 999,076	\$ (6,465)	\$ 257,609	\$ 691,785	\$ 688,321	\$ (9,929)

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTES:**

1. Basis of Presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of Cass City Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Child Nutrition Cluster (CFDA numbers 10.553 and 10.555) was audited as a major program representing 30.3% of federal expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000. This schedule was prepared on the modified accrual basis of accounting.
4. Management has utilized the Grant Section Auditor's Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Cass City Public Schools received a waiver of low-risk auditee status.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General Fund	\$449,920
Special Revenue Fund	<u>241,662</u>
Total per financial statements	\$691,582
Computer Clubhouse revenue that was not recorded as accounts receivable last year on financial statements	(3,261)
Total expenditures per the SEFA	\$688,321

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

10.553 and 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN  
SCHEDULE OF PRIOR AUDIT FINDINGS**

NONE